

Financial *Status Report*

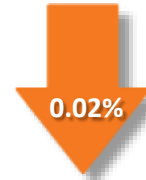
October 31, 2017

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through October 31, 2017. It compares revenues and expenditures for the first four months of Fiscal Year 2017-18 and Fiscal Year 2016-17. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles.

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

August 2017



Local Stock Prices



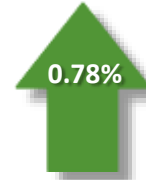
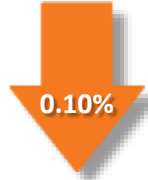
Local Consumer Confidence

Index of Leading Economic Indicators



Building Permits

Help Wanted Advertising



Unemployment Insurance

National Economy

University of San Diego Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.1 percent in August. Leading the gain were moderate increases in the outlook for the national economy and residential units authorized by building permits. There was also a small gain in consumer confidence. The three gains were matched by declines in three components. While initial claims for unemployment insurance and local stock prices were just barely negative, there was a sharp decline in online help wanted advertising. But it was not enough to prevent the USD Index from registering its 10th straight month without a decline.

Although it was close, August's increase leaves the outlook for the local economy the same as has been mentioned in previous reports. Positive but slower growth is expected for the rest of the year and at least through the first half of 2018. One negative that has developed in the wake of Hurricane Harvey has been the increase in local gas prices. After peaking at \$3.16 a gallon on September 7th, prices have dropped back a bit to \$3.10 a gallon. This compares to a price of roughly \$2.77 a year ago. With every one cent increase, an estimated \$1 million a month is taken out of the local economy. In this case, drivers in San Diego County are spending an extra \$33 million a month on gasoline when they could have been spending that money on other goods and services. While annoying, that amount is not large enough to disrupt the local economy and is not likely to be sustained for a significant period of time.

The trend for residential units authorized by building permits was positive for the third month in a row. As was mentioned in last month's report, the USD Index uses a moving average to smooth the data of volatile components. So August benefitted from the big levels seen in June and July. Both labor market variables dropped for the third straight month. Although negative, the pace of the decline for initial claims for unemployment insurance appears to be easing up. The opposite is occurring with help wanted advertising, where August's big decline was the largest of a six month losing streak. The net result was that the seasonally adjusted unemployment rate rose to 4.5 percent in August. This compares to a rate of 4.4 percent in July and 4.7 percent in August 2016. Seasonality is still significant as August is usually the second worst month of the year for the unemployment rate. After a tiny gain in July, local stock prices slipped a tiny amount in August. While local stock prices were higher on August 31st than on July 31st, the USD Index uses the average value for the entire month to determine the level of stock prices for that month. The average in August was just slightly lower than the average for July. Consumer confidence continued its winning streak with a 14th consecutive increase. The outlook for the national economy was solid once again. The national Index of Leading Economic Indicators has now increased every month for the last year. The third and final estimate of GDP growth for the second quarter came in at an annualized growth rate of 3.1 percent, which is up from the "advance" estimate of 2.6 percent and the second estimate of 3.0 percent. The national labor market eased up a bit in August when compared to July, with the unemployment rate rising to 4.4 percent and wage and salary job growth falling to 156,000.¹

General Fund Revenues



Property Taxes (\$3.3 million) – The majority of property tax revenue is collected in December and April each year. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.36 percent for Fiscal Year 2017-18. This is the fifth year in a row that Carlsbad's assessed values have increased from year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up Slightly in August*, September 28, 2017.

increase in this year’s assessed values was due to a large increase in the assessed values of industrial properties in the city; the city saw smaller increases in residential and commercial property values for the year. This is the third year in a row since, the Great Recession ended, that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

The primary reasons that property taxes for the first four months of the fiscal year have increased by one percent as compared to the prior fiscal year are:

- Current taxes are up by \$9,000 or 0.6 percent due to timing differences.
- Aircraft taxes are down by \$154,000 due to timing differences.
- Supplemental taxes are up by \$71,000 due to an increase in property resales.
- Payments for previous years’ taxes are up by \$103,000 due to an increase in the collection of past due tax bills.
- Unitary taxes are up by \$397.



Sales Taxes (\$11.5 million) – For the first four months of the fiscal year, sales tax revenues are \$451,000 (or four percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the actual sales tax receipts for the second calendar quarter of 2017 (up five percent) as well as the first two advances of the city’s third calendar quarter of 2017 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy.

For sales occurring in the second calendar quarter of 2017 (the most recent data available), key gains were seen in auto sales – new, heavy industry, restaurants, and office equipment. During the same period, key declines were seen in apparel stores, miscellaneous retail, health and government, and food markets. The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 68 percent of the city’s sales tax revenues.



Transient Occupancy Tax (\$9.6 million) – The city’s third highest General Fund revenue source on an annual basis is Transient Occupancy Tax (TOT or hotel tax), estimated at \$22.2 million for the current fiscal year. A tax of 10 percent of the rent amount is collected on all occupancies less than 30 days (transient) in duration. TOT collected for the first four months of the fiscal year reflect an increase of \$268,000, three percent more than the previous year. Higher room

rates and occupancy accounted for this positive variance. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of September 2017.

Currently, there are 4,381 hotel rooms and 1,159 registered vacation rentals in the city (931 timeshares and 228 short-term vacation rentals). The average occupancy of hotel rooms over the most recent 12 months has been 71 percent, two percent higher than last year’s average at this time.



Development Related Revenues (\$1.9 million) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a moderate increase for the first four months of the fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. All of the activity in October was for commercial/industrial development and included the new Hughes Circuits facility, Uptown Bressi (mixed use project), expansion of the ViaSat campus, and development of the Pacific Vista Commerce Center in the Oaks North Industrial Park.

One source of development related revenue is building permits, which are up 62 percent compared to last fiscal year. The increase in building permit revenue is derived from the combination of an increase in the valuation of new construction, a decrease in residential permitting activity, and an increase in commercial/industrial permitting activity to date. The year-to-date valuation of new construction in the current fiscal year is \$166.1 million, while it was \$122.4 million in the previous fiscal year, a 35.7 percent increase. In October, Carlsbad issued building permits for 23 residential dwelling units, an increase from the seven residential dwelling units permitted in September. In the northwest quadrant, five residential dwelling units will be built: two single-family homes on Cherry Avenue, and three condominiums at Cherryfield Townhomes. In the northeast quadrant, six single-family homes will be constructed as part of Phase 8 at The Ridge, and 12 condominiums will be constructed as part of Phase 2 at Blue Sage; both developments in Robertson Ranch. For the current fiscal year, 123 residential permits have been issued, as compared to 354 permits issued during the same period last year.

During the month of October, four commercial and industrial permits were issued for 183,826 square feet – 98,345 square feet for ViaSat in Bressi Ranch, 13,200 square feet for a commercial building at LEGOLAND, 667 square feet for a building at Leo Carrillo Ranch, and 71,614 square feet for the new three-story Hoehn Porsche facility. Year-to-date, there has been 885,166 square feet of commercial/industrial permits issued, as compared to 164,957 square feet of commercial/industrial permits issued during the same period last year.



Recreation Fees (\$1.6 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, special events, parent participation preschool, senior programs, and various aquatic programs. Recreation revenues are down by three percent compared to last fiscal year at this time. As the year progresses, staff will continue to evaluate revenue trends and program life cycles to help monitor and improve program performance.



Income from Investments and Property (\$1.5 million) – For the first four months of the fiscal year, income from investments and property is up \$237,000 compared to the previous fiscal year.

Interest income is up \$123,000 for the year due to the combination of a 10.6 percent decrease in the average daily cash balance combined with a 22.8 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.174 percent last fiscal year to 1.442 percent in the current fiscal year).

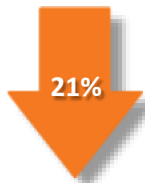
Income from property sales and rentals is up by \$114,000 for the year, primarily due an increase in facility and pool lane rentals, and the sale of city property at public auctions.



Business License Tax (\$1.4) – All entities doing business in the City of Carlsbad are required to have a valid business license. Business license revenue is estimated at \$5.1 million for the current fiscal year. Business license revenues are down \$115,000 or 8 percent less than the previous fiscal year. This is primarily due to a change in the way that licenses are processed in the city's new business licensing system. This operational change has resulted in a timing delay

for invoicing customers and receiving payments when compared to the prior fiscal year. A significant portion of business license revenue for August, September and October is currently being processed.

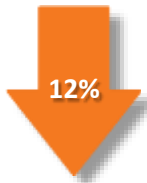
There are currently 10,654 licensed businesses operating within the city, 858 more than the prior year. The majority of taxed businesses (7,099 businesses) are located in Carlsbad, with 2,776 of these businesses home-based.



Franchise Taxes (\$1.2 million) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Franchise tax revenue is estimated at \$5.5 million for the current fiscal year. Year-to-date franchise taxes are \$311,000 lower than the same period last year.

Cable television franchise revenues (Spectrum and AT&T) are down significantly by \$348,000 due to a decrease in the number of paid subscription services (premium video, equipment rental, on-demand, and programming services) and a large timing difference with one of the franchisees. An increase in trash collection revenue of \$37,000 is due to more commercial accounts coming online from new development activity within the city, more payments being made on time, and the timing of cash receipts from bi-monthly billings.

Approximately 43 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2018.



Interdepartmental Charges (\$981,000) – Interdepartmental charges are \$140,000, or 12 percent, lower than last year. These charges are generated through engineering services charged to capital projects (down 28 percent, or \$120,000) due to recent staffing vacancies; reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General

Fund (down 2.9 percent, or \$20,000), the result of an updated cost allocation plan.



Ambulance Fees (\$826,000) – The city bills any individual who is transported in one of the city's ambulances. Through October 2017, receipts from ambulance fees are down \$45,000 or 5 percent compared to last fiscal year. Fees collected should have been higher due to an increase in the number of billable transported patients however, in transitioning to a new ambulance billing provider in the prior fiscal year, there were less write-offs for uncollectable

ambulance fees. Additionally, there is a timing difference in how the new ambulance billing provider reports out monthly compared to the previous provider. The number of billable transported patients for the first four months of Fiscal Year 2017-18 (1,662) versus Fiscal Year 2016-17 (1,546) has increased slightly.



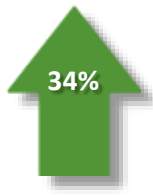
Other Revenue Sources (\$463,000) – Other revenue sources have increased by \$98,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, rights-of-way, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The increase

to date represents an increase in contributions from developers for special studies partially offset by an increase in prior year refunds, a decrease in loss recovery reimbursements, and a decrease in administrative cost reimbursements received for managing developer deposits.



Other Licenses and Permits (\$335,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. The decrease in revenues for the year is due to a reclassification of revenues that occurred during the implementation of the new permitting system (in November

2016). Some permitting activity that was previously reflected as other licenses and permits is now shown as building permits. Without this reclassification, other licenses and permits would have shown an increase for the year, while building permit revenues would have shown a smaller increase for the year.



Transfer Taxes (\$305,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues have increased significantly, however, these revenues only represent two payments received by the city thus far in the fiscal year, and we anticipate these revenues to stabilize throughout the remainder of the year.



Other Intergovernmental Revenues (\$266,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$266,000 received this year is the solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project), state mandated cost reimbursements, a federal fire training grant, and senior nutrition grants. The increase to date is a result of additional solar rebates received from the Center for Sustainable Energy as compared to the prior fiscal year.



Fines and Forfeitures (\$215,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The decrease to date is due entirely to fewer revenues derived from moving violations.



Other Charges or Fees (\$148,000) – Other charges and fees are generated through the sale of city documents, such as staff reports, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. For the first four months of the fiscal year, revenues are down by

\$21,000 but higher than the expected budget at this time of \$85,000.

Expenditures

Total General Fund expenditures and encumbrances through the month of October 2017 are \$64.8 million, compared to \$79 million at the same time last year. This leaves \$115.5 million, or 64.1 percent, available through the fiscal year ending June 30, 2018. If funds were spent in the same proportion as the previous year, the General Fund would have 58.7 percent available. This difference is attributable to some very large transfers out of the General Fund that were done at this time last year. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at October 31, 2017 is 65.2 percent, slightly higher than the 64.4 percent available at October 31, 2016.

The adopted General Fund budget for Fiscal Year 2017-18 increased by \$4 million due to the following factors:

- Increased personnel costs:
 - \$2.8 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 9.0 full-time staff, 1.0 limited-term staff and 16.33 part-time staff (predominantly for expanded parks and recreation programs and facilities, and to assist with day-to-day operations)
 - \$400,000 in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Part-time employee salary increases
- Increased maintenance and operations costs (increase of \$600,000):
 - General inflationary adjustments of two percent
 - Inflationary adjustments partially offset by one-time expenditures from the previous fiscal year
 - General decreases in the internal service charges
 - Increases in credit card fees, citywide training, legal professional services, public nuisance abatement costs, costs associated with the new permitting system, operating costs associated with several new park facilities, fire engine equipment and a chemical detox unit, and upgrades to the Safety Training Center audio visual equipment
- Decreased capital outlay costs of \$200,000
- Increased transfers out of the General Fund:
 - Increase in the annual transfer to the Infrastructure Replacement Fund and the transfer to the Lighting and Landscaping District Funds for medians and trees

Council Contingency

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of October 31, 2017, nothing has been authorized out of the contingency account.

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 10/31/17	ACTUAL FY 2017 AS OF 10/31/16	ACTUAL FY 2018 AS OF 10/31/17	CHANGE FROM YTD 2017 TO YTD 2018	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$3,400,416	\$3,274,723	\$3,304,444	\$29,721	1%
SALES TAX	11,170,066	11,054,701	11,505,578	450,877	4%
TRANSIENT OCCUPANCY TAX	9,338,364	9,376,675	9,644,750	268,075	3%
FRANCHISE TAX	1,507,812	1,496,948	1,185,612	(311,336)	-21%
BUSINESS LICENSE TAX	1,760,067	1,494,465	1,379,383	(115,082)	-8%
TRANSFER TAX	184,916	227,225	305,278	78,053	34%
TOTAL TAXES	27,361,641	26,924,737	27,325,045	400,308	1%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	0	0	(36)	(36)	-100%
OTHER	114,642	153,406	266,396	112,990	74%
TOTAL INTERGOVERNMENTAL	114,642	153,406	266,360	112,954	74%
LICENSES AND PERMITS					
BUILDING PERMITS	386,667	449,284	729,685	280,401	62%
OTHER LICENSES & PERMITS	272,384	493,890	335,068	(158,822)	-32%
TOTAL LICENSES & PERMITS	659,052	943,174	1,064,753	121,579	13%
CHARGES FOR SERVICES					
PLANNING FEES	251,664	382,930	232,563	(150,367)	-39%
BUILDING DEPARTMENT FEES	203,188	420,230	423,729	3,499	1%
ENGINEERING FEES	258,588	446,541	476,341	29,800	7%
AMBULANCE FEES	943,944	870,362	825,800	(44,562)	-5%
RECREATION FEES	1,604,895	1,598,019	1,553,402	(44,617)	-3%
OTHER CHARGES OR FEES	85,436	169,138	148,493	(20,645)	-12%
TOTAL CHARGES FOR SERVICES	3,347,716	3,887,220	3,660,328	(226,892)	-6%
FINES AND FORFEITURES	281,625	266,619	214,518	(52,101)	-20%
INCOME FROM INVESTMENTS & PROPERTY	1,237,262	1,232,874	1,470,104	237,230	19%
INTERDEPARTMENTAL CHARGES	1,055,456	1,120,895	980,813	(140,082)	-12%
OTHER REVENUE SOURCES	342,892	365,407	463,125	97,718	27%
TRANSFERS IN	10,000	10,000	11,500	1,500	15%
TOTAL GENERAL FUND	\$34,410,284	\$34,904,332	\$35,456,546	\$552,214	2%
(1)					
(1) Calculated General Fund revenues are 3% above estimates as of October 31, 2017.					

**GENERAL FUND
EXPENDITURE STATUS BY DEPARTMENT**

DEPT DESCRIPTION	TOTAL BUDGET FY 2017-18	AS OF 10/31/17		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$552,233	\$147,662	\$404,571	73.3%
CITY MANAGER	2,906,114	846,085	2,060,029	70.9%
COMMUNITY OUTREACH AND ENGAGEMENT	2,189,463	954,919	1,234,544	56.4%
CITY CLERK AND RECORDS MANAGEMENT	1,120,294	282,005	838,289	74.8%
CITY ATTORNEY	1,829,486	488,087	1,341,399	73.3%
CITY TREASURER	262,059	97,619	164,440	62.7%
TOTAL POLICY/LEADERSHIP	8,859,649	2,816,377	6,043,272	68.2%
ADMINISTRATIVE SERVICES				
FINANCE	5,663,882	1,919,088	3,744,794	66.1%
HUMAN RESOURCES	4,214,607	1,576,895	2,637,712	62.6%
TOTAL INTERNAL SERVICES	9,878,489	3,495,983	6,382,506	64.6%
PUBLIC SAFETY				
POLICE	39,135,238	12,901,146	26,234,092	67.0%
FIRE	23,233,414	7,736,081	15,497,333	66.7%
TOTAL PUBLIC SAFETY	62,368,652	20,637,227	41,731,425	66.9%
COMMUNITY SERVICES				
COMMUNITY AND ECONOMIC DEVELOPMENT	12,208,693	4,526,065	7,682,628	62.9%
HOUSING AND NEIGHBORHOOD SERVICES	1,564,115	657,633	906,482	58.0%
LIBRARY AND CULTURAL ARTS	14,146,659	4,009,972	10,136,687	71.7%
PARKS AND RECREATION	18,518,368	7,521,906	10,996,462	59.4%
TOTAL COMMUNITY SERVICES	46,437,835	16,715,576	29,722,259	64.0%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	3,277,592	542,002	2,735,590	83.5%
ENVIRONMENTAL MANAGEMENT	830,499	331,658	498,841	60.1%
GENERAL SERVICES	10,346,965	4,267,144	6,079,821	58.8%
TRANSPORTATION	7,398,286	3,212,076	4,186,210	56.6%
TOTAL PUBLIC WORKS	21,853,342	8,352,880	13,500,462	61.8%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	16,955,524	340,460	16,615,064	98.0%
TRANSFERS OUT	12,455,000	12,455,000	0	0.0%
CONTINGENCY	1,500,000	0	1,500,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	30,910,524	12,795,460	18,115,064	58.6%
TOTAL GENERAL FUND	\$180,308,491	\$64,813,503	\$115,494,988	64.1%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.

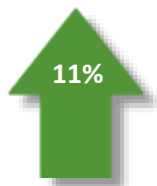
(b) Total committed includes expenditures and encumbrances.

(c) Amount available would be 58.7% if funds were spent in the same proportion as the previous year.

Water Enterprise

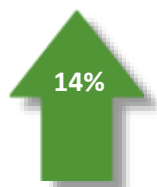
WATER OPERATIONS FUND					
OCTOBER 31, 2017					
	BUDGET FY 2017-18	YTD (*) 10/31/2016	YTD (*) 10/31/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	\$ 35,300,000	\$ 13,698,738	\$ 15,174,351	\$ 1,475,613	10.8%
INTEREST	251,000	86,342	118,094	31,752	36.8%
MISC. SERVICE CHARGES	296,000	105,624	113,685	8,061	7.6%
PROPERTY TAXES	3,605,000	116,955	129,773	12,818	11.0%
FINES, FORFEITURES & PENALTIES	260,000	91,332	105,952	14,620	16.0%
OTHER REVENUES	648,000	214,720	222,478	7,758	3.6%
TOTAL OPERATING REVENUE	40,360,000	14,313,711	15,864,333	1,550,622	10.8%
EXPENSES:					
STAFFING	3,681,630	1,166,939	1,155,235	(11,704)	-1.0%
INTERDEPARTMENTAL SERVICES	2,243,082	750,728	710,771	(39,957)	-5.3%
PURCHASED WATER	22,800,000	7,743,689	9,471,396	1,727,707	22.3%
MWD/CWA FIXED CHARGES	6,800,000	2,262,190	2,177,354	(84,836)	-3.8%
OUTSIDE SERVICES/MAINTENANCE	1,513,326	92,408	175,349	82,941	89.8%
DEPRECIATION/REPLACEMENT	3,910,000	1,269,102	1,303,333	34,231	2.7%
MISCELLANEOUS EXPENSES	1,046,641	241,078	438,672	197,594	82.0%
CAPITAL OUTLAY	31,530	3,839	9,823	5,984	155.9%
TOTAL OPERATING EXPENSES	42,026,209	13,529,973	15,441,933	1,911,960	14.1%
OPERATING INCOME/(LOSS)	\$ (1,666,209)	\$ 783,738	\$ 422,400	\$ (361,338)	-46.1%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues



- The increase in water delivery revenues is the result of an average 5.25 and 4.85 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2016 and January 2017 respectively, coupled with a six percent increase in water sales during the first four months of the fiscal year due to less restrictive water usage constraints.
- A 12.2 percent increase in the average cash balance combined with a 22.8 percent increase in the yield in the Treasurer's portfolio has led to higher interest earnings.
- The increase in miscellaneous service charges is primarily due to increases in new account charges and quick turn-on revenues.
- The increase in property taxes are the result of early year timing differences.
- The increase in fines and forfeitures is due primarily to an increase in late charges revenue.

Expenses



- For Fiscal Year 2017-18, a total of 2.25 full-time positions have been reallocated to other programs from the Water Enterprise to better reflect each programs' workload.
- A 7.7 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) coupled with a 10 percent increase in the amount of water purchased, represent the primary drivers in this variance.
- Decreases in the calendar year 2017 SDCWA fixed charges have led to lower fixed charges.
- Increases in water sampling and pipeline maintenance services have led to higher outside services/maintenance expenses.
- Increases in parts, meters and fittings are the largest factors in the miscellaneous expenses variance.
- The purchase of tablets to increase operational efficiencies for maintenance crews in the field account for the increase in capital outlay expenses.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND OCTOBER 31, 2017					
	BUDGET FY 2017-18	YTD (*) 10/31/2016	YTD (*) 10/31/2017	CHANGE FROM YTD 2016-17 TO YTD 2017-18	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	13,035,000	4,688,549	4,729,856	41,307	0.9%
INTEREST	75,000	32,510	48,812	16,302	50.1%
OTHER REVENUES	290,000	88,559	80,945	(7,614)	-8.6%
TOTAL OPERATING REVENUE	13,400,000	4,809,618	4,859,613	49,995	1.0%
EXPENSES:					
STAFFING	2,333,179	614,741	643,940	29,199	4.7%
INTERDEPARTMENTAL SERVICES	1,323,235	425,135	437,731	12,596	3.0%
ENCINA PLANT SERVICES	3,469,456	1,095,991	1,156,485	60,494	5.5%
OUTSIDE SERVICES/MAINTENANCE	745,723	94,455	83,446	(11,009)	-11.7%
DEPRECIATION/REPLACEMENT	3,650,000	1,207,492	1,216,667	9,175	0.8%
MISCELLANEOUS EXPENSES	658,795	157,980	169,843	11,863	7.5%
CAPITAL OUTLAY	238,261	3,277	237,225	233,948	7139.1%
TOTAL OPERATING EXPENSES	12,418,649	3,599,071	3,945,337	346,266	9.6%
OPERATING INCOME/LOSS	981,351	1,210,547	914,276	(296,271)	-24.5%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues



- Charges for current services are flat as there was no rate increase in January 2017.
- Cash balances in the fund have increased by 25 percent from last year, combined with an increase in the average yield on the portfolio of 22.8 percent, have impacted interest earnings for the year.
- The decrease in other revenues is driven primarily by the engineers within the Enterprise charging less of their time to capital improvement projects.

Expenses



- For Fiscal Year 2017-18, a total of 1.1 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each programs' workload.
- Additional utility billing chargebacks, miscellaneous interdepartmental charges and general liability chargebacks have led to higher interdepartmental charges.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Decreases in outside services/maintenance are primarily the result of prior year expenses for easement cleaning services and decreased work related to the SCADA system.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- Increases in miscellaneous expenses are primarily due to the acquisition of asset management software.
- The purchase of a new vector truck is the primary driver in the capital outlay variance.